GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

UNSTARRED QUESTION NO:1112
ANSWERED ON:02.08.2006
CHANGES IN SPECIAL ECONOMIC ZONE
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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

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(a) whether the National Association of Software and Service Companies (NASSCOM) has demanded changes in conditions of Special Economic Zone;

(b) if so, the details thereof and the reasons therefor; and

(c) the reaction of the Government thereto?

Answer

MINISTER OF STATE FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY (DR. SHAKEEL AHMAD)

(a)and (b): National Association of Software and Service Companies (NASSCOM) has raised certain issues, concerns, and made some recommendations; which includes:

(1) The phasing out of the STP (Software Technology Parks) Scheme will leave SEZ (Special Economic Zone) as the only option for tax benefits, creatig several problems for the software industry, especially for the SME segment, which constitute more than 90% of the industry.

(2) The tax exemption for STPs should be continued for another 5 years so that companies can continue availing of benefits and have time to adjust to the SEZ framework which will take the next 2 or

3 years to really get operational. The companies will have the STP option for the next 5 years, and at the end of 5 years the STP scheme could get phased out if the SEZ infrastructure has come up and companies who wish to avail of further benefits can avail SEZs.

(3) The method of computing the exemption as envisaged in section 10AA would result in substantial taxation of export profits and there by negating the basic intent. This section prima facie discriminates service industry against the manufacturing industry.

(4) The minimum limit of built up area may be reduced from the present 10,00,000 sq feet to 200,000 sq feet; that would be typically occupied by about 2000 employee.

(c): A committee under the chairman ship of Member Secretary Planning Commit ion has been constituted in February 2006; and subsequently a report has been submitted in April 2006 for the consideration of the Government.